



SC Department of Employment and Workforce

NEWS RELEASE

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Businesses to Pay Lower Federal Unemployment Taxes (FUTA) for 2011

South Carolina has received conditional approval from the U.S. Secretary of Labor to receive the full 5.4 percent credit on business federal unemployment taxes (FUTA) for 2011.

“This is good news for the state’s business community and a positive sign that the state’s unemployment trust fund is back on a path to solvency” said Dr. Erica Von Nessen, assistant executive director for unemployment insurance at the SC Department of Employment and Workforce.

For wages paid (up to the first \$7,000) between January 1, 2011 and June 30, 2011 the effective tax will be 0.8 percent (6.2 -5.4 percent credit) while the tax rate for wages paid between July 1, 2011 and December 31, 2011 will be 0.6 percent (6.0-5.4 percent credit).

Federal taxes are typically paid on an annual basis to the IRS using form 940 in January of the following year. For 2010 taxes, paid in 2011, businesses paid federal unemployment taxes at the rate of 1.1 percent due to South Carolina’s outstanding federal loans and failure to begin repaying those loans.

As a result of the legislative tax and benefits changes made by the general assembly in 2010 and 2011, the state has begun to repay federal loans, \$183.8 million to date in 2011, and plans to have all loans repaid by 2015.

The increased solvency and repayments made it possible to avoid any federal tax penalties for this year. It is anticipated that the state will continue to avoid these federal penalties each year as the state continues to pay down its loans.

Information about state unemployment tax rates for 2012 for individual businesses is expected to be available in mid-December. This is approximately one and a half months earlier than in previous years. State unemployment taxes in 2012 will be assessed on the first \$12,000 in wages.

For more specific information on how to report and pay your federal taxes, please contact your tax professional. For questions on your state unemployment taxes, you can email rateinfo@dew.sc.gov.

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